

37TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	Karachi	Saturday, the 6th December 1975.	10.00 A.M.

The 37th meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on Saturday, the 6th December 1975 at 10.00 A.M. at Karachi.

The following were present:

1. Mr. D.M. Quraishi Chairman
2. Mr. M.G. Hasan
3. Mr. S. Hasan
4. Mr. P. Sequeira
5. Mr. S.A. Walajahi
6. Mr. M. Zulqarnain

Mr. S.S. Akhtar, Consulting Actuary attended by invitation.

Mr. Nisar Hussain, AGM(Admn) and Mr. M. Sadiq Khan, Secy-Board were also present.

The following business was transacted:

ITEM I: CONFIRMATION OF THE MINUTES OF THE 35TH/36TH BOARD MEETINGS HELD ON 11TH OCTOBER AND 25TH NOVEMBER 1975 RESPECTIVELY AT KARACHI.

The minutes of the 35th and 36th meetings of the Board held on 11th October 1975 and 25th November 1975 respectively were confirmed.

ITEM II: TO CONSIDER AND APPROVE THE RATE OF INTEREST PAYABLE TO SUBSCRIBERS OF STATE LIFE EMPLOYEES PROVIDENT FUND.

The Board was informed that the Provident Fund accounts maintained by the former Beema Units were incomplete from 1st November 1972 onwards. Pending the finalisation of these accounts, interest @ 6% was being allowed to the individual accounts of the members on the basis of their closing balances. This method, it was explained, resulted in excessive credits of interest to the borrowing members as against the non-borrowing members and created inequity in the interest earnings of the non-borrowing members. Therefore, it was proposed that the method of allowing interest on the 'Average Balance' of each member should be adopted. This method is equitable to both the borrowing and non-borrowing members of the Contributory Provident Fund.

2. The Board approved the suggestion and passed the following resolution:

"Pending the finalisation of the Provident Fund Accounts hitherto maintained by the Units, the members' Accounts may be credited with 6% interest, calculated on the average balance of each individual account. Temporary loans granted to the members of

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the Fund, from January 1, 1975 will bear interest at 1% above the rate allowed on the contributions of the fund on loans granted prior to January 1, 1975, the lending rate of interest shall not be less than 6%. The 'Average Balance' method should be followed for calculating the interest on the loans."

ITEM III: TO RECEIVE PROGRESS REPORT ON CONVEYANCE LOANS TO AGENTS AND EMPLOYERS OF AGENTS

3. The Board, in one of its earlier meetings, had decided to grant Conveyance Loans to the Field Workers within a total ceiling of Rs.25 lacs. The Board was informed that a procedure had been evolved whereby the Conveyance Loans to the field workers would be disbursed in a revolving cycle with a view to achieving continuity to the grant and recovery of the loans. Accordingly a sum of Rs.15 lac for 1975 and Rs.6.7 lac for 1976 had been fixed for distribution by the ED (S&D) on the basis of FYP income of the Zones in consultation with the Zonal Heads as under:-

	<u>1975</u>	<u>1976</u>
Lahore Zone	6 lakh	2.80 lakh
Peshawar Zone	1 lakh	.35 lakh
Rawalpindi Zone	1.90 lakh	.85 lakh
Hyderabad Zone	1.40 lakh	.65 lakh
Karachi Zone	4.70 lakh	2.10 lakh
Total	<u>15.00 lakh</u>	<u>6.75 lakh</u>

4. The Board was also informed that to ensure smooth working of this procedure and to see that there was no default in repayment, detailed instructions alongwith necessary proformas, had been issued by the E.D.(Fin. Accts & Admn).

5. The Board approved the above procedure and the distribution made by the E.D.(S&D).

ITEM IV: GENERAL POWER OF ATTORNEY IN FAVOUR OF THE CHAIRMAN

6. The Board took up for consideration the draft General Power of Attorney proposed to be given to the Chairman. The draft contained, inter-alia, powers for the Chairman, in addition to powers already exercised by him as the E.D.(Inv). It was explained to the Board that the draft Power of Attorney, had been drawn up in order to enable the Chairman to exercise properly his duties and functions as the Chief Executive of the Corporation.

7. The general consensus was that the Chief Executive should have adequate powers to enable him to exercise properly his functions as the Chief Executive of the Corporation. However, it was not clear whether the Board could delegate

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its powers otherwise than through Regulations. It was also not clear what powers could be delegated through a Power of Attorney. The Board, therefore, decided that the legal position should be fully examined to see that there was no conflict or contradiction between the Power of Attorney and law and/or regulations made thereunder. The Board deferred the consideration of this item for the time being, pending examination by the Legal Advisor on the following issues:-

- 1) In view of Section 49 of LINO, whether the Board was competent to delegate its powers otherwise than through the General Regulations.
- 2) Whether any of the powers being delegated to the Chairman through the General Power of Attorney would, in any way conflict with the powers already delegated to other officers through various Regulations of the Corporation.

The Board also decided that a Memorandum of Business Policies outlining the functions to be performed by the Board, the Executive Committee and the Chairman be drafted and put up for consideration of the Board. All matters decided by the Board in the past, which will in future fall within the purview of the Executive Committee, will be deemed to have been decided by the Executive Committee. The Executive Committee will be fully empowered to reverse or modify all such decisions of the Board, without its prior approval and the same will be deemed to have been ratified by the Board.

ITEM V: TO CONSIDER AND APPROVE RECOVERY OF MEDICAL EXPENSES - NON-MEDICAL CASES.

8. The Board was informed that different practices were followed by former Units, in levying charges on non-medical or not taken-up cases. There was need to evolve a uniform policy in this respect after integration.

9. It was observed that in addition to above, the former Units may also have been following some other inconsistent practices which will have to be removed. The Board, therefore, decided that the E.D.(S&D) should study the problem in consultation with the Zonal Heads, and make suitable recommendations to the Board for bringing about uniformity in the matter of different practices followed by the former Units.

ITEM VI: ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIRMAN

- a) DEFINITION OF MIRPUR (AZAD KASHMIR) AS A LESS DEVELOPED AREA.

10. The Board was informed that Mirpur (Azad Kashmir) was being treated as a developed territory, whereas areas like Jhelum & Peshawar were regarded as under-developed areas. A number of representations had been received protesting against this anomalous classification.

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11. The Board decided that the whole of Azad Kashmir be treated at par with under-developed areas. The quota for Azad Kashmir would be 65% of the developed areas for all purposes.

b) PROPOSAL FOR SALE OF PLOT NO.19
BANK SQUARE, LAHORE.

12. The Board was informed that State Life had inherited plot No.19, Bank Square, Lahore measuring 15 marlas and 39 sq.ft. from the erstwhile Oriental Mutual Insurance Company Limited. The United Bank Limited who own the adjoining plot No.20, first offered to purchase this plot at Rs.12,000/- per marla, but later on agreed to raise the bid to Rs.15,000/- per marla.

13. The Board was told that State Life would realise a capital gain of Rs.71,339/-, net of capital gains tax, over the book value of the plot amounting to Rs.1,49,516/-. Enquiries made through brokers put the prevailing market price at Rs.10,000/- to Rs.12,000/- per marla. Since the plot was blocked in the front by the United Bank Limited plot No.20, State Life may not get a better price from any other buyer. Considering the prevailing market price and the fact that the plot was land-locked, the offer made by the United Bank Limited appeared to be competitive.

14. The Board, after due consideration, approved the sale of plot No.19, Bank Square, Lahore to the United Bank Limited at Rs.15,000/- per marla.

c) CONSTRUCTION OF A CENTRALLY AIR-CONDITIONED
MULTISTOREYED BUILDING ON PLOT NO.34, THE MALL
PESHAWAR.

15. The Board was informed that State Life owns a plot of land measuring 5,500 sq.yds on 34 The Mall, Peshawar. The plot was meant for residential purposes but after strenuous efforts, permission had been granted to erect a commercial building on this plot. The NWFP Government was keen to see early implementation of the project.

16. As a first step towards construction of the building, appointment of an Architect and a firm for making soil-test operation was necessary. The Executive Committee of the Board had already approved a Standing Panel of Architects for State Life Buildings. It was proposed to appoint M/s.Republic Engineering Corporation (REC), an organisation based in Lahore as Architects for the proposed building.

17. The Board approved the appointment of M/s. Republic Engineering Corporation as Architects for construction of building on plot No.34, The Mall, Peshawar. The Board also approved constitution of a Committee consisting of the following for negotiations of Architects' fees and commencement of Soil-Test Operation at the site:-

- 1) Mr. G.M. Qureshi, Advisor, Internal Audit
- 2) Mr. S.M. Mahboob, Manager Law
- 3) Mr. T.A. Abbasi, Manager Real Estate
- 4) The Chief Engineer or failing him Mr. S.A. Asar, Project Engineer.

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d) ALLOTMENT OF PLOT TO STATE LIFE IN THE
QUAID-E-AZAM MAZAR COMPLEX

18. The Chairman informed the Board that Quaid-e-Azam Memorial Board had, in consultation with the Ministry of Production, Town Planning & Agrovilles, allotted a piece of land measuring 9½ acres to State Life for construction of multistoried building. The previous Chairman had already approved the appointment of M/s. Naqvi & Siddiqi as Architects of this building at a fee of 5% of the cost of the plan. Since this Project is of national importance, the Government have suggested that Mr. Jehangir J. Mugaseth, an experienced Pakistani who is based in America, be also associated with the preparation of the plan. Mr. Jehangir has to his credit an outstanding list of construction works of a wide range of complexes of this nature including townships, office buildings, hospitals, recreation parks etc. He is being engaged by the Government of Pakistan for the construction of Pakistan Mission buildings abroad as well as for similar works being undertaken by nationalised banks in the country. The Government have, therefore, suggested that his services should be usefully utilised by State Life.

19. Mr. Jehangir was here recently and visited State Life to discuss this matter. He wanted a fee of 6% which, according to him, was the rate prevalent in USA for a project of this size. He thought that a fee of 5% which he had negotiated with our local Architects, was rather on the low side.

20. Another factor involved in engaging a foreign-based Architect, namely payment of travelling expenses which is normally charged by them on visits in connection with supervision of construction work, was also discussed. As Mr. Jehangir would be visiting Pakistan at different intervals in connection with other works entrusted to him by the Government of Pakistan, he has agreed to tie up and synchronise his visits for our works with other projects and would not charge us any travelling expenses. He has further agreed to associate M/s. Naqvi & Siddiqi with pre-construction stage plan and the supervision part of it since he does not have an office here. For this he would share charges with them out of his fee of 5%.

21. The Board approved the appointment of Mr. Jehangir J. Mugaseth for the proposed project at a fee of 5% only. In view of the fact that a decision has already been taken about the fee for the project with another architect of repute, the Board did not approve the additional fee of 1% being asked for by the Architect.

e) PROPOSAL TO DISPOSE OF ESSO PLOT NO.13 C/L,
MEASURING 8022 SQ.YDS SITUATED AT DR.ZIAUDDIN ROAD

22. The Board was informed that State Life owned plot No. 13 C/L, measuring 8022 sq.yds at Dr. Ziauddin Road, Karachi. PIA had offered to buy this plot at a price of Rs.800/- per sq. yd. State Life had bought this plot at a total cost of Rs. 34,50,100/-. There were three alternatives open to State Life viz:

- 1) To sell the plot at the price offered by PIA.
- 2) To hold it for another 2 to 3 years in the hope that its value would appreciate further.

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- 3) To construct a building and sell units in the building on an outright basis or lease out the building to one or more clients for 10-20 years or rent it out.

23. So far as the first alternative was concerned, the Board was informed that the size of the plot was such that only a big organisation like PIA could go in for it. Holding it for another 2 to 3 years may result in further appreciation in value, but there was no guarantee that a big client like PIA would also be available at that time. Construction of a building would in addition to requiring large initial capital outlay, present security problems at the time of construction since the plot lies in close proximity to the Chief Minister's House.

24. The Board, after taking into consideration all pros and cons, approved in principle, the sale of plot to the PIA provided they were willing to raise the bid atleast to Rs.1,000/- per sq.yd.

f) LOAN ON LIFE POLICIES

25. The Executive Director (PHS) said that he would like to have the Board's views on the question as to whether or not a policyholder was entitled to take an additional loan under a policy without repaying the existing loan. He said that this question was linked up with the practice of charging a higher rate of interest on the total amount of new loan where interest was charged on an existing loan.

26. In light of the legal opinion, the Board decided that a policyholder was entitled to take only one loan under the policy. State Life was entitled to demand repayment of an existing loan before granting a fresh loan to a policyholder at rate of interest to be determined at the time of granting the loan under a policy where interest on policy loan was not guaranteed. The Board, however, felt that the policyholder should be informed of the new rate of interest which would be charged to him on the full amount before the loan is granted to him so that there is no misunderstanding on the point. The intimation should also give option to the policyholder not to borrow more if he wishes to avoid the incidence of higher rate of interest on the total amount of the loan.

The meeting then ended with a vote of thanks to the Chair.

Confirmed subject to corrections
made in today's meeting.

[Signature]
16.2.76.

[Signature]
Chairman.